Walker, Thomas Barlow

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## And the Inevitable Evils That Would Result From It.

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By T. B. WALKER, - - - MINNEAPOLIS, MINN.

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The enactment of a free coinage law in this country without the co-operation of the leading nations of Europe, would be the most stupendous act of folly ever sanctioned by the American people. The panic that was caused by the success of the free trade Democracy in 1892 was only a breeze compared to the storm that would follow the enactment of such a law at the present time. The result would not only be more deplorable in its immediate effect, but more lasting.

The experience of the last two or three centuries has shown conclusively the impossibility of any nations maintaining the double standard and keeping gold and silver in circulation under legal tender free coinage for both metals. And now at this time, when all the leading nations of the earth have been compelled to adopt a gold standard, and only the inferior ones like China, India, Japan and Mexico have maintained a silver basis of degraded currency, it is absolutely astonishing that any intelligent American citizen should claim that a legislative enactment of this country could force the world's value of silver to double its present ratio.

About 1566 Sir Thomas Gresham, the founder of the Royal Exchange of London, observed what has always been known as the Gresham law—that where a legal ratio is fixed upon the two money metals at which they shall be received as general legal tender, that one or the other will come to be relatively undervalued, and that its exportation will be profitable, and it will leave the country. The experience of history is that no nation has ever been sufficiently powerful that it could change the world's value of either metal materially by a change in the legal rates.

While Sir Isaac Newton was master of the mint of England, it was found that the gold guinea which was valued at 21 shillings and six pence in silver, was an over-valuation, and the silver currency was leaving the country. The government inquired of him what should be the remedy, and Sir Isaac replied that the market value of the gold guinea in the world at large was 20 shillings and eight pence in silver, but that in his judgment, if the value was established at 21 shillings, or a reduction of six pence, this change of value with the abrasion on the silver coins would be sufficient to offset the remaining four pence on the guinea, to keep the silver from going to foreign countries. Parliament in 1716 acted upon this, and the value was fixed at 21 shillings; but the

small difference between the new value and the market value, or less than 1 per cent, was still sufficient to carry out the silver currency, and it reduced them to practically a gold basis.

The whole force of England, which certainly at that time had relatively greater power than the United States would have upon the whole earth today, was insufficient to change the market value of silver to the extent of 1 per cent.

The reversed condition in France of 1 per cent against gold and in favor of silver, brought that country to a silver basis by taking away their gold; but as there was comparatively slight difference between the market and the legal value of the two metals, the loss of 1 per cent in either nation could be borne with safety. The experience of Germany and other of the European nations has been the same, an absolute inability to keep the two metals circulating at any fixed legal value under free coinage of both.

In this country results have been exactly the same. Gold and silver have never to any material extent circulated jointly under free coinage. Under the United States law of 1795 a ratio of 1 to 15 was established. The ratio in England in 1795 was 1 to 15 2-10, or a difference of 1⅓ per cent of over-valuation of silver in this country as compared with England. The result was that a profit of a portion of this 1⅓ per cent could be made in exporting gold, and in 1835, after 41 years' experience, the secretary of the treasury said in his report that "of all the gold that came in and was coined, not over $1,000,000 remained in the country in 1834, and of that small amount only a very diminutive amount was in circulation." That is to say that less than five per cent of the gold coined during this period remained in the country, and less than 1 per cent was in circulation.

Under the act of June 28, 1834, the ratio between gold and silver was made 16 to 1. Under this new act the silver dollar remained as before, but the gold dollar was reduced in proportion to make it 16 to 1. This made it profitable to export silver, as before it had been profitable to export gold, and the result was that our silver coinage went out of circulation. The only silver that kept in circulation was the subsidiary and abraded and chipped coins that were worth less than they circulated at, and although the mint coined a large amount of the legal ratio coins, none of them were found in circulation. In 1853, it being admitted as impracticable to keep the two metals in circulation under free coinage, a seigniorage on silver of one-half of 1 per cent was made. This was the practical abandonment of free coinage, as it was found to be



here, as in other nations, absolutely impossible to keep the two metals circulating side by side under the free coinage system. It is as impossible to regulate the market value of gold and silver with the great changes and fluctuations at different periods of history, that are shown in the relative productions of the two, as it would be to establish a market ratio for any other two commodities produced by human labor. History proves this conclusively and indisputably.

It is certain and inevitable that a free silver law would drive gold immediately from circulation, reduce all our paper currency to the same value as the silver dollar, and shrink the actual value of the circulation of the country from $1,800,000,000 to $600,000,000. The withdrawal of the $600,000,000 of gold would leave of the $1,800,000,000 only $1,200,000,000. This $1,200,000,000 being redeemable in silver would be worth no more than silver, or half of the $1,200,000,000, leaving only $600,000,000 of actual real value in our circulation. Such a shrinkage has probably never been known in the history of any nation, nor has there ever been a more deplorable and hopeless panic than would come from this remarkable method of making money plenty and times good. A temporary increase in price would bring the larger portion of the product of the silver mines of the world to this country, so long as we had national or corporation credit, or gold with which to pay for it. But long before we should make up even a one-third part of the tremendous shrinkage in our currency value the hard times and lack of means would drop the price back again to the valuation below its starting point. Silver at the fictitious value of 16 to 1 is too heavy and cumbersome to carry about, and is equally burdensome to move from point to point over the country—which would be at least 30 to 1, an actual dollar of silver in purchasing power, would be so large that none of them would be found in circulation.

So that under this free coinage law it would not be wanted in circulation and the demand for it and its coinage to a large extent would cease. This cessation of demand would, in a short time, reduce its value in the markets of the world, and its market value as a circulating medium to a lower point than has ever been reached heretofore, and lower than the market value would be without this attempt to bolster up its value.

It is undoubtedly a fact that prosperous times which would result from a permanent sound money basis and a sufficient protective tariff, would increase the value of silver in the world more

than any possible advance that could be made by independent free coinage. If this country was prosperous, the demand for silver would be increased more than could be done by free coinage: for silver is an article consumed in mechanical arts in proportion to prosperity and wealth of the nation and the world

The experience of the last silver coinage act is a complete illustration of the folly of attempting to crowd silver currency upon an unwilling nation. These same representatives of the mining interests insisted upon the government acting as a special patron of the silver mines, a principle never before demanded and conceded in our history. The inclination to favor the Western mining states led congress to adopt this unwise and inequitable legislation. It was presumed that while the heavy purchases of the government of four millions per month of silver would increase the price, it would at the same time increase the currency of the country and maintain a sound backing for our circulation. Temporarily this expedient worked an increase in price, but as the pile of silver accumulated in the government treasury with no one to call for it, its huge mass was a menace to the world. It acted like the accumulation of copper in Secretan's equally visionary copper scheme, in piling up that commodity until it crushed out several hundred millions of money that had been invested in it.

If the government should, in order to favor the wheat or cotton producers of the country, purchase and store away a few hundred million dollars worth of either commodity, it would temporarily increase the price, but at the time it would stimulate the production, and if the goods stored away would remain without injury in holding, a little time would see the price go below enough more than balance the gain from the experiment, while the people generally would lose the quantity stored, or if thrown upon the market, it would break the price at a rate and to a point unknown in the history of the world.

Let us now examine and see what actual advantage was gained in adding to our currency by purchasing this huge pile of silver to pacify the mining states. The passage of the Sherman act in 1889, requiring the purchase of four millions per month, run the price of silver from 94 cents per ounce in 1889 to $1.06 in 1890. Then in the face of $54,000,000 worth purchased in 1891, the price declined to 99 cents, and in the further purchase of $47,000,000 in 1892 it declined to less than 83 cents per ounce. We see that it did not stop the decline in the price of silver only for two seasons and then dropped it to a lower price than ever.



If the $400,000,000 worth of silver that was purchased and coined into silver dollars had been sold in foreign markets, probably $350,000,000 of gold could have been received for it. This would have added that amount of full value primary money if we had handled it with that end in view. Against this $350,000,000 of gold there might have been issued $700,000,000 of banking currency that would have been in circulation against the gold reserve. What did we actually get? By extra effort there was about $60,000,000 pushed into circulation of the $419,000,000 standard dollars coined between 1878 and 1892. There was piled up in the United States treasury $360,000,000 that were not wanted by either the people at large or the banks. There was issued against this heap of comparative useless metal $330,000,000 of silver certificates. These certificates and silver dollars are practically redeemable in gold. They are kept at par by being receivable for all public dues, or practically legal tenders. If these certificates, or silver dollars were not so redeemable, they would be worth only 50 cents on the dollar.

Now, is it not true and indisputable that if, in place of purchasing all this huge mass of silver and piling most of it away as a worthless heap, and issuing certificates against it, that certificates to the same extent not redeemable in silver, but having all the legal qualities of these silver certificates, would have been just as good circulating medium, without wasting $365,000,000 in the purchase of silver? Or, in other words, did we not actually waste the amount of money spent for the silver, outside of the amount of the subsidiary coinage? And does it not look to any fair minded citizen, whether a resident of a mining state, or any other place, that this pet concession to the mining interests, resulting in an expense bill of say $400,000,000, would be about all the kind of legislation that should be attempted in this country? And when we consider that this effort was of no actual value to the mining states, and that the proposed free coinage would result in still greater demoralization to them, as well as to the whole country, it seems time to call a halt in even considering such unreasonable demands. And when, on top of this, necessary legislation has been blocked in the United States senate by the representatives of the silver interests, it certainly makes a strange spectacle to find other citizens in this country joining them in this demand.

These representatives of the silver interests knew very well that an increased tariff bill would have turned the balance of trade in

our favor, increased confidence, and brought better times. But they also knew that this improvement would knock the bottom out of their silver humbuggery and misrepresentations, and they would rather sacrifice the interests of the whole country, including their own sections, than abate this zeal to compel the nation to enact a free silver coinage law.

One great essential feature of this silver question changing its conditions from century to century, and from year to year, that rendered this metal more and more unfit for a currency basis, is the continual increase in the size of the pieces to make the dollar in actual value. From the earlier centuries, when gold and silver were worth the same per pound, the ratio has changed gradually but constantly all along from the equality to all proportions up to 2 to 1, on to 5 to 1, to 10 to 1, 16 to 1, then rising rapidly to 32 to 1. It can never be changed back again to any material extent. The size of the dollars under the 16 to 1 are so large that only a small fractional amount of the currency money would be silver, and under a silver standard the dollars would be double this weight. We might name 50 cents worth of silver a dollar, but we would be compelled to give two of them for a dollars worth of goods.

The silver question is so intentionally complicated by its advocates by means of a multitude of side discussions that have but little bearing upon the subject, and the conclusions arrived at from unwarranted premises, and so much time is taken up by the opponents of free silver in reply to these indefinite articles and reviews, that the reader is unable to arrive at any definite idea as to the real effect that will follow the free coinage of silver in the manner proposed.

The most conspicuous example of cool presumption and demagogism exhibited in politics in modern times comes from the advocates of free silver in denouncing "the crime of '73", in which silver received a mortal stab that was not known to the country or the world for 20 years. Long before 1873 the leading nations of the world, including our own, had been compelled to adopt the gold standard. The commercial world has outgrown the use of silver, excepting for subsidiary coinage, and every years' constantly increasing output of gold renders the use of silver less necessary, and a return to free coinage by the leading nations more remote and improbable.

The material and essential questions underlying the whole subject is this, is there a sufficient gold production in the world to transact the business of the leading nations of the world to the



best advantage without the use of silver? To cover this, or to reply to it, I will make the following statement, and give evidence that sustains it.

There has been produced thus far in the last half of this century a much greater amount of gold from the mines from the world in proportion to the business demands, than was produced of both gold and silver during the first half. In other words, the world is now, and is increasingly better supplied with primary money in the annual additions to its gold stock alone than is required to transact all its business with just as much advantage and just as good opportunities for maintaining prosperous times, as if a large stock of silver could be added as primary money.

In order to place the matter on a definite, comparative basis, we have prepared a table, as follows:

| Period. | Aggregate average population of United States, Great Britain, France, Germany, Austria, Italy and Spain. | Average annual per capita production of gold in the world | | Annual average per capita production of silver. | | Annual average per capita production of gold and silver in the world. | |
|---|---|---|---|---|---|---|---|
| 1801 to 1830 increase (30 years). | 142,900,000 | .07 | | .18 | 17½ | .25 | 27 |
| 1831 to 1850 increase (20 years). | 179,800,000 | .14 | | .17 | | .31 | |
| 1851 to 1870 increase (20 years). | 211,100,000 | .56 | | .22 | | .78 | |
| 1871 to 1880 increase (10 years). | 236,200,000 | .44 | | .35 | | .79 | |
| 1881 to 1885 increase ( 5 years). | 258,600,000 | .40 | | .42 | | .82 | |
| 1886 to 1890 increase ( 5 years). | 269,500,000 | .42 | 50c | .53 | | .95 | |
| 1891 ...................... | 278,800,000 | .43 | | .67 | 35c | 1.10 | |
| 1892 ...................... | 281,300,000 | .47 | | .69 | | 1.16 | |
| 1893 ...................... | 283,300,000 | .55 | | .74 | | 1.29 | |
| 1894 ...................... | 286,400,000 | .63 | | .74 | | 1.37 | |

In the first column is shown the years of this century up to the present time, divided into periods. The first period is 30 years, the second is 20, the third is 20, the fourth is 10, the fifth and sixth are five each, and the other four bringing us up to 1894 are for one year each.

In the second column is given the aggregate average population of the leading financial nations of the world during each of these periods as accurately as the figures can be obtained. The nations referred to are the United States, Great Britain, France, Germany, Austria, Italy and Spain.

The third column gives the average annual per capita production of gold for the whole world for each of the inhabitants of the aggregate population of these various nations.

The fourth column gives the per capita of silver for each inhabitant of all these nations.

The fifth column gives the average annual per capita of both gold and silver.

Now the gold and silver of the world was actually divided amongst a vastly greater population, but the increase in population in these leading progressive nations is far greater than the average increase in the whole world over which it was actually distributed. So that a comparison with these leading nations would be favorable to the silver side of the question as against comparing it with the whole world.

It will be seen by examining this table that the per capita of gold and silver for the first period of 30 years, from 1801 to 1830 inclusive, was 25 cents.

The per capita of gold and silver for the second period of 20 years was 31 cents, and the average for the two periods, comprising the first full half of the century, was 27 cents. Then take the third period of 20 years, bringing us up to and including 1870, the per capita of gold alone was 56 cents. Then following along the gold supply alone, the 10 years from 1871 to 1880 inclusive, was 44 cents per capita.

The next period of five years it fell off a little to 40 cents. The next five years it raised two cents per capita to 42 cents. Then in 1891 it was 43 cents; in 1892 it was 47 cents, and in 1893 it was 55 cents, and in 1894 it was 63 cents. So that for the second half of the century up to 1894 the average per capita of gold was 50 cents, against 27 cents of gold and silver the first half. So that for each inhabitant of these great nations there was produced in the world an average of almost double the amount of gold between 1850 and 1894 that was produced of both gold and silver from 1800 to 1850. And at the same time during this second half of the century the average annual production of silver per capita was 35 cents, while the first half of the century it was only 17½ cents for each inhabitant, or only just one-half.

It is, of course, well known to all of us that the per capita amount of business transacted by each person in these active nations mentioned has increased very considerably since the middle of the century, but there has been also an equal increase in the facilities for making exchanges based upon the improved banking facilities and more substantial houses and greater amount of business confidence and credit.



In these times the actual business of these nations is transacted with probably not to exceed three to four per cent of actual exchange of any kind of currency. At least nine-tenths of this currency is in paper. This paper probably does not have an actual average reserve of gold to exceed 20 per cent of the amount in circulation. So that modern business life requires a backing of something like 20 per cent of three per cent, or six-tenths of one per cent of the amount of daily business that is covered by an actual gold reserve.

In this country our entire paper currency is based on the treasury gold reserve of a usual amount of, say, one hundred and fifty millions. The national bank currency is redeemable in greenbanks or in gold, as the treasury may choose. As there is about one thousand one hundred millions of paper currency of all kinds, including the silver certificates, it makes less than 14 per cent of gold back of our paper. The gold actually held to cover our daily business is something like 14 per cent of three per cent, or a little over four-tenths of one per cent. At this rate one hundred and fifty millions of gold reserve would cover about three thousand seven hundred millions of daily business. So that it will be readily seen that a gold reserve of six hundred millions would cover all our business in active times, three or four times over.

The stock of gold, which this country has held, has been a sufficient basis for an abundant currency to transact all our business even in active times. And there is no doubt of our ability to accumulate in this country as many millions of gold as the utmost limit of our business requires by a proper and sufficient tariff to turn the balance of trade in our favor, bring back gold from Europe in place of exporting it, and to keep at home the product of our own mines.

The subsidiary coinage of silver, amounting to $76,000,000, is actually primary money and legal tender for all amounts without redemption in gold. The silver piled in the government vaults is not primary money; it is not of any value as money more than paper currency would be that is receivable in the same way and having the same legal tender qualities that are given to our silver dollars or silver certificates.

Now, when we consider that a gold coin is so hard and compact that it will show but little abrasion in a century, and that during each year of this century there has been accumulating on top of the gold stock of previous centuries an annually increasing stock of gold—not only in the aggregate, but per capita,—this

table showing only about double the amount of gold annually produced as of silver and gold during the first half of the century, does not tell the whole story. The accumulation of the stock undoubtedly makes more than three times as much gold per capita in the commercial nations at the end of this century as there was of both gold and silver during the first half. And not only this, but the inferior nations, who are users of silver almost exclusively for their currency, namely, China, India, Japan and Mexico—while they have consumed a considerable amount of the century's production of silver, yet there has been more silver coined during the last half of the century by the leading gold standard nations than in the first half.

The conclusion of this matter is then that the world is more abundantly supplied with gold in proportion to its business demands at the present time than it was formerly supplied with both gold and silver.

Not only this, but an examination of the commercial world has shown in the business transactions of the leading nations that no material advantage would be derived by adding an increased stock of silver, and it is very doubtful if the business interests would derive any real advantage if we could enlarge even the supply of gold. The stock is abundant, and sufficient to transact all the legitimate business of the world, and the tendency of business life would be towards lack of stability if a super-abundant supply of primary money was called into existence. Gold itself is too inconvenient for ordinary transactions and is but little used in comparison to paper currency, and when it is claimed that the now thirty times heavier silver currency would be of greater value in the world as the legal tender money, it shows a warped judgment and a lack of understanding of business life and the monetary conditions of the world.

So that now, with an abundant and increasing supply of gold, 63 cents per capita of gold alone in 1894, against an average of 27 cents per capita of both gold and silver in the first half of the century, the possibility of ever bringing the great commercial nations to adopt free silver coinage, grows more and more impracticable and impossible every year. Their experiences in the past, with the conditions now existing, have settled the question for them. And for this country to take this foolhardy and unnecessary step alone would be a backward plunge that would have no redeeming features.

T. B. Walker.

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